

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-11 ISO-00
IO-13 COM-02 CIAE-00 DODE-00 DOTE-00 FMC-01
INR-10 NSAE-00 CG-00 DLOS-09 OES-07 L-03 JUSE-00
FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05
LAB-04 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15
/160 R

DRAFTED BY EB/TRA/MA:CTAYLOR, JR.:EW
APPROVED BY EB/TRA:JRATWOOD
EB/TRA/MA:RKBANK
IO/TRC:WDIAMANTI
EUR/NE:DGOODMAN
MARAD:RBOURDON (INFO)
FMC:BKEHOE
USCG:RABILLER
JUSTICE:JHALL

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R 102014Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY LONDON
INFO AMEMBASSY PARIS
AMEMBASSY MONROVIA
AMEMBASSY BRUSSELS

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PARIS ALSO FOR USOECD, BRUSSELS FOR USEC

E.O. 11652:N/A

TAGS:EWWT, UK

SUBJECT:U,S.-U.K. BILATERAL SHIPPING TALKS

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1. US-UK BILATERAL SHIPPING TALKS WERE HELD IN WASHINGTON MAY 2-3. USDEL WAS LED BY DEPUTY ASSISTANT SECRETARY ATWOOD AND INCLUDED EB/MA DIRECTOR BANK, DEPUTY TAYLOR, FMC'S KEHOE, MARAD'S BOURDON, AS WELL AS REPRESENTATIVES OF IO, COAST GUARD AND DEPARTMENT OF JUSTICE FOR SELECTED PORTIONS. UKDEL HEADED BY GERRY LANCHIN, CHIEF OF SHIPPING POLICY DIVISION, UK DEPT OF TRADE AND INCLUDED LORD BRIDGES, MINISTER-COUNSELOR, AND CHARLES CRUICKSHANK, SHIPPING ATTACHE OF BRITISH EMBASSY. FOLLOWING IS SUMMARY OF TOPICS DISCUSSED AND PRINCIPAL POINTS MADE BY BOTH SIDES.

2. EASTERN BLOC SHIPPING -- LANCHIN EXPRESSED PESSIMISM REGARDING PROSPECTS FOR EC PROPOSALS TO CONTROL EASTERN BLOC INROADS. HE SAID THAT COMMISSION HAD DISREGARDED UK WARNINGS AGAINST PUBLICITY AT THIS STAGE, WITH THE RESULT THAT THERE HAS BEEN A STRONG FRENCH/BELGIAN/ITALIAN REACTION. THOSE 3 COUNTRIES WISH TO BROADEN THE EC POSITION SO THAT IT WILL DEAL WITH UNFAIR COMPETITION GENERALLY (INCLUDING FLAGS OF CONVENIENCE). LANCHIN NOTED THAT THE FRENCH SEE FLAGS OF CONVENIENCE AS A WORSE THREAT THAN EASTERN BLOC SHIPPING. LANCHIN THEREFORE CONCLUDED THAT

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AN IDEAL FORUM FOR DEVELOPING PRECISE AGREEMENTS, WE DO CONSIDER IT EXTREMELY USEFUL FOR EXCHANGING IDEAS AND FOR COORDINATING NATIONAL ACTIONS. LANCHIN SAID THE UK WOULD WELCOME U.S. HELP IN PUSHING THE OECD ALONG IN THIS AREA. LANCHIN ALSO EXPRESSED CONCERN THAT SHOULD THE CONTROLLED CARRIER BILL NOW UNDER CONSIDERATION IN THE U.S. CONGRESS FAIL TO BE ENACTED, THERE WOULD BE AN ADVERSE EFFECT ON THE EC'S EFFORTS TO DEVELOP PROPOSALS FOR CONTROL OF EASTERN BLOC SHIPPING. WE COMMENTED THAT, CONVERSELY, A STRONG EC POSTURE WOULD HELP MOVE THE CONTROLLED CARRIER BILL ALONG BY ERASING POSSIBLE CONGRESSIONAL APPREHENSION THAT THE US IS BEING ASKED TO DO THE EUROPEANS' WORK FOR THEM SIMPLY BECAUSE IT HAS A REGULATORY SYSTEM.

3. UNCTAD LINER CODE -- LANCHIN REPORTED THAT MOST EC MEMBERS, EXCEPT UK, HAVE ACCEPTED THE PRINCIPLE OF GRANTING TO THE LDC'S A PERCENTAGE OF THEIR BILATERAL CARGO UNDER THE CODE. LANCHIN DID NOT PROVIDE A CLEAR EXPLANATION OF THE DIFFERENCES BETWEEN THE UK AND THE EC COMPROMISE PROPOSALS REGARDING THE CODE, OTHER THAN STRESSING THAT WHERE CARGO ALLOCATION WAS CONCERNED THE UK WAS MORE CONCERNED WITH ECONOMIC CRITERIA AND THE FRENCH AND BELGIANS MORE CONCERNED WITH CARGO GENERATION. LANCHIN SAID THAT IN VIEW OF THE MANY COMPLICATIONS, AN EC DECISION WAS UNLIKELY BEFORE THE DECEMBER COUNCIL OF

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6. PHASE III - OECD/MTC -- BOTH SIDES EXPRESSED SATIS-
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FACTION WITH PROGRESS MADE IN DEVELOPING BASIC OECD

SHIPPING PRINCIPLES. IN DISCUSSING FORM OF FINAL STATEMENT, U.S. SIDE EXPRESSED OPINION THAT MANY MEMBERS CONTINUALLY VIOLATE SPIRIT, IF NOT LETTER OF NOTE 1 OF ANNEX A TO THE OECD INVISIBLES CODE. U.S. HAD EARLY RESERVATIONS TO THIS NOTE. U.S. POINTED OUT THAT SHIPPING PRINCIPLES MUST BE MADE PART OF OECD SHIPPING POLICY VIA COMMENT, FOOTNOTE, ETC. IT WAS AGREED THAT FORM MADE LITTLE DIFFERENCE AS LONG AS THE PRINCIPLES RECEIVED OFFICIAL RECOGNITION.

7. SUBSTANDARD SHIPS AND POLLUTION -- WE ASSURED UK THAT U.S. PLANS TO FOLLOW IMPLEMENTATION DATES CONTAINED IN PROTOCOLS ADOPTED AT THE FEBRUARY TANKER SAFETY AND POLLUTION PREVENTION CONFERENCE (TSPP). LANCHIN REITERATED UK CONCERNS OVER PROPOSED U.S. LEGISLATION IN THIS AREA: 200-MILE POLLUTION ZONE OF THE CLEAN WATER ACT, BUY- AND MAN-AMERICA PROVISIONS OF HOUSE VERSION OF OUTER CONTINENTAL SHELF AMENDMENTS ACT, AND NEED FOR

PREEMPTION AND REASONABLE LIABILITY LIMITS IN SUPERFUND LEGISLATION. UK ALSO EXPRESSED HOPE THAT TANKER SAFETY LEGISLATION UNDER CONSIDERATION IN CONGRESS WOULD CONFORM TO THE RESULTS OF THE TSPP CONFERENCE; WE EXPRESSED CAUTIOUS OPTIMISM. UK EXPRESSED CONCERN THAT THE FRENCH PRESSURE FOR REGIONAL POLLUTION CONTROL ARRANGEMENTS COULD DILUTE THE MOMENTUM TOWARDS IMPLEMENTATION OF TSPP PROTOCOLS AND STRESSED THE IMPORTANCE THE UK PLACES ON MAINTAINING THIS MOMENTUM.

8. IMCO MATTERS -- IN DISCUSSION OF NEXT IMCO COUNCIL CHAIRMANSHIP, LANCHIN STATED THAT HE WAS NOT REPEAT NOT RUNNING (ALTHOUGH HE LET IT BE KNOWN THAT HE COULD BE DRAFTED). BOTH SIDES AGREED THAT O'NEIL OF CANADA WOULD LIKELY BE BEST DEVELOPED COUNTRY CANDIDATE FOR THE CHAIRMANSHIP. WE ALSO DISCUSSED, WITHOUT REACHING DEFINITE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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AGREEMENT, PROCEDURE FOR ELECTING VICE CHAIRMAN FOR PRESENT COUNCIL. AFTER MUCH DISCUSSION, IT WAS LEFT TO UK TO SOUND OUT O'NEIL REGARDING THIS POSITION AS WELL AND THEN CONSULT FURTHER WITH U.S. CONCERNING CURRENT DISCUSSIONS OF IMCO'S ASSESSMENT FORMULA, WE STRESSED THAT WE CANNOT ACCEPT U.N. FORMULA FOR IMCO BUT THAT WE ARE WILLING TO ACCEPT CHANGES IN THE CURRENT FORMULA WHICH ARE IMCO-RELATED. LANCHIN INDICATED SYMPATHY FOR U.S. POSITION DESPITE POTENTIAL FINANCIAL ADVANTAGE TO U.K. OF LIBERIAN PROPOSAL. REGARDING FRENCH EFFORTS TO INTRODUCE FLAG OF CONVENIENCE ISSUE INTO IMCO, WE EXPRESSED CONCERN THAT IMCO'S WORK ON SUBSTANDARD SHIPS COULD SUFFER IF IT BECAME INVOLVED IN FLAG OF CONVENIENCE ISSUE. LANCHIN SAID THAT THERE IS TREMENDOUS PRESSURE TO DO SOMETHING ABOUT FLAGS

OF CONVENIENCE AND THAT BEST TACTIC MAY BE TO TRY TO SIDE-
TRACK FRENCH INITIATIVE INTO SOME TYPE OF MODEST STUDY
WHICH IS IN LINE WITH IMCO AIMS.

9. FEDERAL MARITIME COMMISSION (FMC) ISSUES -- WE
ASSURED UK OF CONCERN OF PRESENT FMC ADMINISTRATION OVER
DELAYS AND ITS DEDICATION TO REDUCING THESE DELAYS.
CONCERNING THE REBATING QUESTION, WE INFORMED LANCHIN
THAT WE WERE CONCERNED BY THE POSSIBLE FOREIGN RELATIONS
EFFECTS OF ANTI-REBATING LEGISLATION UNDER CONSIDERATION
IN CONGRESS, BUT STRESSED THE DIFFICULTY OF OPPOSING THIS
LEGISLATION WITHOUT SOME SIGNS OF COOPERATION FROM OTHER
MARITIME NATIONS. WE EXPRESSED DISAPPOINTMENT OVER LACK
OF FOLLOW-UP TO SEPTEMBER 27 NOTE FROM TEN GOVERNMENTS
PLEDGING COOPERATION IN THIS AREA. LANCHIN RESPONDED THAT
OFFER OF COOPERATION CONTAINED IN THAT NOTE HAS NOT BEEN
WITHDRAWN BUT THAT PRESENT FEELING IS THAT SUCH COOPERA-
TION SHOULD BE COMPARTMENTALIZED, CASE-BY-CASE, COUNTRY-
BY-COUNTRY. LANCHIN ALSO REFERRED TO THE FAILURE OF
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DISCUSSIONS UK OFFICIALS HAD HAD WITH THE PREVIOUS FMC
CHAIRMAN ON MEANS OF COOPERATING TO ELIMINATE REBATING.
WE ASSURED LANCHIN THAT NEW FMC ADMINISTRATION TAKES A
SOMEWHAT MORE FLEXIBLE APPROACH. LANCHIN ALSO NOTED
POSSIBILITY THAT A STATEMENT ON THIS ISSUE AT CONCLUSION
OF THE FORTHCOMING U.S.-CSG TALKS COULD POSSIBLY BE HELPFUL
IN DEMONSTRATING EUROPEAN/JAPANESE INTENT TO COOPERATE.
WE ALSO EXPRESSED CONCERN OVER SLOW PROGRESS OF DISCUSSIONS
WITH UK REGARDING FMC'S NEED FOR DOCUMENTS LOCATED IN HONG
KONG. LANCHIN PROMISED TO CONSIDER THIS QUESTION ON A
CASE-BY-CASE BASIS IF FMC WOULD OUTLINE ITS NEEDS. HE
SAID, HOWEVER, THAT UK MIGHT HAVE TO REFUSE TO COOPERATE
IN ORDER TO PROTECT ITS JURISDICTION AND NOTED THAT SINCE
BANKING DOCUMENTS WERE INVOLVED, REQUIREMENTS FOR SECRECY
OF BANK ORDERS MIGHT FURTHER COMPLICATE THE MATTER.

10. DEPARTMENT OF JUSTICE GRAND JURY INVESTIGATION --
LANCHIN OPENED DISCUSSION OF THIS ISSUE NOTING THAT HE
WOULD NOT REITERATE FAMILIAR UK VIEWS ON INVESTIGATION,
ALTHOUGH THEY HAVE NOT CHANGED. DOJ REPRESENTATIVE REVIEWED
STATUS OF INVESTIGATION IN GENERAL TERMS, NOTING THAT
CURRENT GRAND JURY WILL NOT EXPIRE UNTIL MID-1979 AND THAT
INDICTMENTS, IF ANY, ARE NOT LIKELY TO BE RETURNED FOR A
WHILE. LANCHIN EXPRESSED GRATITUDE FOR ADVANCE NOTICE
GIVEN TO HMG OF MARCH 2 DOJ LETTERS PROPOSING VOLUNTARY
INTERVIEWS. LANCHIN SAID HIS GUESS WAS THAT IN VIEW OF
MANY UNCERTAINTIES INVOLVED, THERE WOULD BE LITTLE
RESPONSE TO LETTERS, ALTHOUGH IN UK MATTER WAS ENTIRELY
UP TO SHIPOWNERS. LANCHIN SAID THAT NO UK LEGISLATION
WOULD PREVENT UK SHIPOWNERS FROM AGREEING TO INTER-

VIEWS; HOWEVER, SHIPOWNERS AGREEING TO INTERVIEWS WOULD BE PROHIBITED BY LAW FROM GIVING ORAL EVIDENCE WHICH DERIVED DIRECTLY FROM DOCUMENTS WHOSE RELEASE PROHIBITED BY UK QUOTE BLOCKING STATUTE UNQUOTE. LANCHIN INQUIRED ABOUT TERMS OF REFERENCE FOR QUESTIONS TO BE ASKED IN LIMITED OFFICIAL USE
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INTERVIEWS; DOJ REPRESENTATIVE RESPONDED THAT LETTER SENT TO POTENTIAL INTERVIEWEES WHO HAD RESPONDED TO MARCH 2 LETTER FULLY COVERS SUBJECTS DOJ PLANS TO DISCUSS, ALTHOUGH FOLLOW-UP QUESTIONS AND GIVE AND TAKE COULD NOT BE RULED OUT. DOJ FURTHER NOTED THAT INTERVIEWEE MAY SET TERMS OF INTERVIEW, ESPECIALLY AS REGARDS WHO IS TO BE PRESENT. ATWOOD NOTED THAT GREATEST UNCERTAINTY INHIBITING POTENTIAL BRITISH INTERVIEWEES APPEARED TO BE FEAR OF VIOLATING UK PROHIBITION AGAINST REVEALING INFORMATION BASED ON NON-RELEASABLE DOCUMENTS. LANCHIN ACKNOWLEDGED THAT INVOCATION OF UK BLOCKING STATUTE WAS DISCRETIONARY BUT GAVE NO INDICATION THAT UK MIGHT CONSIDER MODIFYING INVOKING ORDERS TO FACILITATE INTERVIEWS.
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BRUSSELS MAY 10, 1978 REPEATED TO YOU QUOTE

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PARIS ALSO FOR USOECD, BRUSSELS FOR USEC

E.O. 11652:N/A

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MINISTER-COUNSELOR, AND CHARLES CRUICKSHANK, SHIPPING ATTACHE OF BRITISH EMBASSY. FOLLOWING IS SUMMARY OF TOPICS DISCUSSED AND PRINCIPAL POINTS MADE BY BOTH SIDES.

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IN DEMONSTRATING EUROPEAN/JAPANESE INTENT TO COOPERATE. WE ALSO EXPRESSED CONCERN OVER SLOW PROGRESS OF DISCUSSIONS WITH UK REGARDING FMC'S NEED FOR DOCUMENTS LOCATED IN HONG KONG. LANCHIN PROMISED TO CONSIDER THIS QUESTION ON A

CASE-BY-CASE BASIS IF FMC WOULD OUTLINE ITS NEEDS. HE SAID, HOWEVER, THAT UK MIGHT HAVE TO REFUSE TO COOPERATE IN ORDER TO PROTECT ITS JURISDICTION AND NOTED THAT SINCE BANKING DOCUMENTS WERE INVOLVED, REQUIREMENTS FOR SECRECY OF BANK ORDERS MIGHT FURTHER COMPLICATE THE MATTER.

10. DEPARTMENT OF JUSTICE GRAND JURY INVESTIGATION -- LANCHIN OPENED DISCUSSION OF THIS ISSUE NOTING THAT HE WOULD NOT REITERATE FAMILIAR UK VIEWS ON INVESTIGATION, ALTHOUGH THEY HAVE NOT CHANGED. DOJ REPRESENTATIVE REVIEWED STATUS OF INVESTIGATION IN GENERAL TERMS, NOTING THAT CURRENT GRAND JURY WILL NOT EXPIRE UNTIL MID-1979 AND THAT INDICTMENTS, I NY, ARE NOT LIKELY TO BE RETURNED FOR A WHILE. LANCHIN EXPRESSED GRATITUDE FOR ADVANCE NOTICE GIVEN TO HMG OF MARCH 2 DOJ LETTERS PROPOSING VOLUNTARY INTERVIEWS. LANCHIN SAID HIS GUESS WAS THAT IN VIEW OF MANY UNCERTAINTIES INVOLVED, THERE WOULD BE LITTLE RESPONSE TO LETTERS, ALTHOUGH IN UK MATTER WAS ENTIRELY UP TO SHIPOWNERS. LANCHIN SAID THAT NO UK LEGISLATION WOULD PREVENT UK SHIPOWNERS FROM AGREEING TO INTERVIEWS; HOWEVER, SHIPOWNERS AGREEING TO INTERVIEWS WOULD BE PROHIBITED BY LAW FROM GIVING ORAL EVIDENCE WHICH DERIVED DIRECTLY FROM DOCUMENTS WHOSE RELEASE PROHIBITED BY UK QUOTE BLOCKING STATUTE UNQUOTE. LANCHIN INQUIRED ABOUT TERMS OF REFERENCE FOR QUESTIONS TO BE ASKED IN INTERVIEWS; DOJ REPRESENTATIVE RESPONDED THAT LETTER SENT TO POTENTIAL INTERVIEWEES WHO HAD RESPONDED TO MARCH 2 LETTER FULLY COVERS SUBJECTS DOJ PLANS TO DISCUSS, ALTHOUGH FOLLOW-UP QUESTIONS AND GIVE AND TAKE COULD NOT BE RULED OUT. DOJ FURTHER NOTED THAT INTERVIEWEE MAY SET TERMS OF INTERVIEW, ESPECIALLY AS REGARDS WHO IS TO BE PRESENT. ATWOOD NOTED THAT GREATEST UNCERTAINTY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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INHIBITING POTENTIAL BRITISH INTERVIEWEES APPEARED TO BE FEAR OF VIOLATING UK PROHIBITION AGAINST REVEALING INFORMATION BASED ON NON-RELEASABLE DOCUMENTS. LANCHIN ACKNOWLEDGED THAT INVOCATION OF UK BLOCKING STATUTE WAS DISCRETIONARY BUT GAVE NO INDICATION THAT UK MIGHT CONSIDER MODIFYING INVOKING ORDERS TO FACILITATE INTERVIEWS. VANCE UNQUOTE VANCE

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